EXHIBIT B

ITT CORP (ITT)

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10−K

FORM 10−K
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10−K
ANNUAL REPORT

(Mark One)

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2006

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Transition period from to

Commission File No. 1−5672

ITT CORPORATION

Incorporated in the State of Indiana **13−5158950**
(I.R.S. Employer Identification No.)

4 West Red Oak Lane, White Plains, NY 10604
(Principal Executive Office)
Telephone Number: (914) 641−2000

Securities registered pursuant to Section 12(b) of the Act, all of which are registered on The New York Stock Exchange, Inc.:

COMMON STOCK, $1 PAR VALUE

Securities registered pursuant to Section 12(g) of the Act:
None.

Indicate by check mark if the registrant is a well−known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Securities Exchange Act . Yes ☐ No ☑

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S−K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10−K or any amendment to this Form 10−K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non−accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b−2 of the Exchange Act. (Check one):

☑ Large accelerated filer ☐ Accelerated filer ☐ Non−accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b−2 of the Exchange Act). Yes ☐ No ☑

The aggregate market value of the Common Stock of the registrant held by non−affiliates of the registrant on June 30, 2006 was approximately $9.1 billion.

As of January 31, 2007, there were outstanding 181,793,726 shares of Common Stock, $1 par value, of the registrant.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement filed or to be filed with the Securities and Exchange Commission pursuant to Regulation 14A involving the election of directors at the annual meeting of the shareholders of the registrant scheduled to be held on May 8, 2007,

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PART I

ITEM 1.

BUSINESS

ITT Corporation, with 2006 sales and revenues of approximately $7.81 billion, is a global multi−industry company engaged directly and through its subsidiaries in the design and manufacture of a wide range of engineered products and related services. In the fourth quarter of 2006, the Company consolidated its Electronic Components business segment into its Motion & Flow Control business segment, following the earlier transfer of the Switches businesses from Electronic Components to discontinued operations. The Company's three principal business segments now are Fluid Technology, Defense Electronics & Services, and Motion & Flow Control.

Our World Headquarters is located at 4 West Red Oak Lane, White Plains, NY 10604. We have approximately 37,500 employees based in 52 countries, including approximately 4,100 employees in our Switches businesses which are actively being marketed for sale. Unless the context otherwise indicates, references herein to "ITT," the "Company," and such words as "we," "us," and "our" include ITT Corporation and its subsidiaries. ITT Industries, Inc. was incorporated on September 5, 1995 in Indiana. On July 1, 2006, ITT Industries, Inc. changed its name to ITT Corporation. Reference is made to "— COMPANY HISTORY AND CERTAIN RELATIONSHIPS." Our telephone number is (914) 641−2000.

The table below shows, in percentage terms, consolidated sales and revenues and operating income attributable to each of our business segments for the last three years. Certain amounts, in the table below, and the discussion to follow, have been reclassified to conform to the current year presentation.

	Year Ended December 31,		
	2006	2005	2004
Sales and Revenues			
Defense Electronics & Services	**47%**	46%	40%
Fluid Technology	**39**	40	43
Motion & Flow Control	**14**	14	17
	100%	100%	100%
Operating Income			
Defense Electronics & Services	**50%**	50%	43%
Fluid Technology	**46**	44	48
Motion & Flow Control	**19**	18	23
Other	**(15)**	(12)	(14)
	100%	100%	100%

BUSINESS AND PRODUCTS

Fluid Technology

Fluid Technology is a leading global provider of fluid systems and solutions for the Wastewater, Residential & Commercial Water, Industrial & BioPharm and Advanced Water Treatment markets. Sales and revenues were approximately $3.07 billion, $2.80 billion, and $2.56 billion for 2006, 2005 and 2004, respectively.

Fluid Technology is engaged in the design, development, production, sale, and after−sale support of a broad range of pumps, mixers, controls and treatment systems for municipal, industrial, residential, agricultural, and commercial applications.

Major production and assembly facilities are located in Argentina, Australia, Austria, Brazil, Canada, China, England, Germany, Italy, Malaysia, Mexico, the Philippines, South Korea, Sweden, Poland and the United States.

Principal customers are in North America, Europe, the Middle East, Africa, Latin and South America, and the Asia/Pacific region. Sales are made directly to customers or through independent distributors and representatives.

As one of the world's leading producers of fluid handling equipment and related products for treating and recycling wastewater, ITT actively promotes more efficient use and re−use of water and endeavors to raise the level of awareness of the need to preserve and protect the earth's water resources.

Wastewater

ITT Flygt is the originator and largest manufacturer of submersible pumps and mixers which form the heart of many of the world's sewage and wastewater treatment facilities. Combining Flygt's submersible pumps and mixers with Sanitaire and ABJ products (discussed below) provides a solution to customers' needs for complete systems for wastewater treatment. Dry mount pumps from A−C Pump provide an alternative technical solution to submersible pumps. Flygt is a market leader and respected brand for commercial and municipal submersible wastewater pumps. ITT's strong position in the dewatering market is generated by Flygt, Robot and Grindex and, in the residential effluent and sewage pumps systems area, Goulds Pumps and Lowara are market leaders.

Residential & Commercial Water

ITT's broad range of pumps, systems and accessories for residential, municipal and commercial applications including water, wells, pressure boosters, and agriculture packages and systems are branded Goulds Pumps, Red Jacket Water Products, Marlow Pumps, Lowara, and Vogel.

Flowtronex is the product brand for package systems for turf irrigation and water booster systems for municipal systems, golf courses and irrigation systems.

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Leading product brands, such as Bell & Gossett, McDonnell & Miller, and Hoffman Specialty, provide a broad variety of products for environmental control in buildings and for building service and utility applications including liquid−based heating and air conditioning systems, liquid level control, and steam trap products for boiler and steam systems. ITT services the European and Middle East building trade markets with pressure boosting pumps under the Lowara and Vogel names. A−C Fire Pump is a global UL/FM fire pump package provider.

Industrial & BioPharm

ITT, under the Goulds Pumps brand name, offers standard as well as application specific pumps for the industrial marketplace. Examples of typical applications include general industrial, mining, chemical, pulp and paper, power, oil refining and gas processing. Fabri−Valve knife gate valves are designed to handle a variety of demanding applications, including pulping recovery and bleaching in pulp and paper plants.

ITT offers a wide array of valve and turnkey systems that are at the heart of extremely demanding manufacturing processes, especially of biological and pharmaceutical compounds.

Advanced Water Treatment

Through the Sanitaire, and ABJ brands, ITT is a leader in biological treatment systems for municipal and industrial wastewater treatment. The broad range of products includes ceramic and membrane fine bubble diffusers and stainless steel coarse bubble diffusers. ITT also provides advanced membrane filtration engineered systems, reverse osmosis systems and portable filtration technology. Flygt's submersible mixers and Sanitaire's diffused aeration systems play a crucial role in the biological treatment phase ensuring that incoming flows reach optimal nitrification and preventing sedimentation in the aeration tank. ABJ is a unique Sequence Batch Reactor ("SBR") allowing a continuous inflow.

In 2006, the Company acquired the F.B. Leopold Company, a leading provider of water and wastewater treatment products for the municipal and industrial markets including clarifiers, filters, and media. In 2004, ITT acquired WEDECO, a leading provider of ultraviolet disinfection and ozone oxidation systems for both municipal and industrial applications.

Global Service and Customer Care

Fluid Technology has a global network of service centers for aftermarket customer care. Our aftermarket capabilities include the repair and service of all brands of pumps and rotating equipment, engineering upgrades, contract maintenance, and service.

System Solutions

ITT strives to provide its global customer base with the systems and solutions they need to meet ever increasing demands on cost control and efficiencies. Through the overarching strategic Value Based Six Sigma program, ITT now has in place company−wide systems for rapid product development.

Our strategy to expand downstream to better service our customers has moved us from a product producer to a solution provider. This strategy has guided us in our acquisitions. For example, today ITT can extend its core offering of submersible pumps and mixers with systems to control plant operation, technologies that analyze the waste stream, and products and systems to treat water through biological, treatment, filtration, oxidation and disinfection processes.

In the industrial markets, our pump systems are now supplied with intelligent control systems and predictive conditioning monitoring. Customers engaging in our "total systems approach" generally find dramatically lower energy consumption, maintenance and overall life cycle costs.

The following table illustrates the percentage of sales and revenues for the listed categories for the periods specified:

	Year Ended December 31,		
	2006	2005	2004
Wastewater	**37%**	35%	34%
Residential & Commercial Water	**34**	34	35
Industrial & BioPharm	**19**	19	20
Advanced Water Treatment	**10**	12	11
	100%	100%	100%

Management believes that Fluid Technology has a solid technology base and proven expertise in designing its products and services to meet customer needs. Management also believes that the continuing development of new products will enable Fluid Technology to maintain and build market leadership positions in served markets.

Order backlog for Fluid Technology was $702.2 million in 2006, compared with $551.2 million in 2005, and $570.3 million in 2004.

Brand names include Aquious™, ABJ®, A−C Pump®, Bell & Gossett®, F.B. Leopold Company, Flygt®, Flowtronex®, Goulds Pumps®, Hoffman Specialty™, ITT Standard, Lowara®, Marlow Pumps®, McDonnell & Miller®, Pure−Flo, Sanitaire®, Vogel®, and WEDECO®.

The level of activity in Fluid Technology is dependent upon economic conditions in the markets served, weather conditions and, in the case of municipal markets, the ability of municipalities to fund projects for our products and services, and other factors. See "— COMPETITION."

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Fluid Technology companies have approximately 11,800 employees and have 43 major facilities in 16 countries.

Defense Electronics & Services

Defense Electronics & Services, with sales and revenues of approximately $3.66 billion, $3.22 billion, and $2.41 billion for 2006, 2005 and 2004, respectively, develops, manufactures, and supports high technology electronic systems and components for worldwide defense and commercial markets, and provides communications systems and engineering and applied research. Operations are in North America, Europe, and the Middle East.

Defense Electronics & Services consists of the two major areas of (i) Systems and Services and (ii) Defense Electronics. Systems and Services consists of our Systems and Advanced Engineering and Sciences businesses. Defense Electronics consists of our Aerospace/Communications, Space Systems, Night Vision and Electronic Systems businesses.

Systems and Services

The Systems Division provides a broad range of systems integration, communications, engineering and technical support solutions ranging from strategic command and control and tactical warning and attack assessment, to test, training and range evaluation. The Systems Division also provides total systems support solutions for combat equipment, tactical information systems and facilities management.

The Advanced Engineering & Sciences Division provides a wide range of research, technologies and engineering support services to government, industrial and commercial customers. In addition, the division provides products and services for information collection, information processing and control, information security and homeland defense telecommunications.

Defense Electronics

The Aerospace/Communications Division (“A/CD”) develops wireless networking systems for tactical communications. A/CD is the creator of the core technology used in the world’s two largest tactical digitization programs: the U.S. Tactical Internet and the U.K. Bowman program. This technology has created a family of interconnected products including the Single Channel Ground and Airborne Radio System (“SINCGARS”). A/CD is at the leading edge of networking with its routers and algorithms. These devices permit self−organizing and self−healing connections all across the battlespace. A/CD is also developing the newest ground to air radios for the Federal Aviation Administration.

The Space Systems Division (“SSD”) provides innovative solutions to customers in the Department of Defense, intelligence, space science, and commercial aerospace communities to help them visualize and understand critical events anywhere on earth, in the air, or in space. SSD’s offerings include intelligence, surveillance and reconnaissance systems, image information solutions, sophisticated meteorological imagers and sounders, GPS navigation payload systems and components, commercial remote sensing and space science systems.

The Night Vision Division supplies the most advanced night vision equipment available to U.S. and allied military forces. The equipment includes night vision goggles for fixed and rotary−wing aviators; night vision goggles, monoculars and weapon sights for ground forces, and image intensifier tubes required for all of these systems. Night Vision is developing advanced technology for the digital battlefield that will allow improved mobility and situational awareness. The division is also supplying high−performance night vision devices to federal, state and local law enforcement officers in support of homeland security.

The Electronic Systems (“ES”) Division produces information and electronic warfare technologies for a broad range of military aircraft to help protect aircraft from radar−guided weapons. ES is developing for the United States Army and Special Operations Forces the next−generation of fully integrated airborne electronic warfare systems for rotary wing aircraft called the Suite of Integrated Radio Frequency Countermeasures (“SIRFC”). In addition, ES has developed a SIRFC based system for fixed wing aircraft such as the F−16, and is also the supplier for the United States Integrated Defensive Countermeasures (“IDECM”) system for fixed wing aircraft such as the F/A−18 E/F fighter fleet. ES is a co−developer and producer of the integrated communications, navigation and identification system for the U.S. Air Force F−22 Raptor. ES also produces military and civilian air traffic control systems and air defense radars marketed under the name Gilfillan. ES’s latest generation of air traffic control radar systems includes fixed and mobile terminal airport surveillance radars and precision approach radars for landing assistance in extreme physical environments, and produces and installs air surveillance and weapons control radars for both ship and land−based applications.

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The following table illustrates the percentage of sales and revenues for the listed categories for the periods specified:

	Year Ended December 31,		
	2006	2005	2004
Systems and Services			
Systems	**32%**	33%	35%
Advanced Engineering & Sciences	**9**	9	11
Defense Electronics			
Aerospace/Communications	**21**	17	15
Space Systems	**17**	20	14
Night Vision	**11**	10	11
Electronic Systems	**10**	11	14
	100%	100%	100%

Defense Electronics & Services sells its products to a wide variety of governmental and non−governmental entities located throughout the world. Approximately 96% of 2006 sales and revenues of Defense Electronics & Services were to governmental and international entities; approximately 89% of 2006 total sales and revenues were to the United States Government (principally in defense programs).

A substantial portion of the work of Defense Electronics & Services is performed in the United States under prime contracts and subcontracts, some of which by statute are subject to profit limitations and all of which are subject to termination by the United States Government. Apart from the United States Government, international customers and commercial customers accounted for approximately 7% and 4%, respectively, of 2006 sales and revenues for Defense Electronics & Services.

Sales and revenues to non−governmental entities as a percentage of total sales and revenues for Defense Electronics & Services were 4% in 2006, 6% in 2005 and 1% in 2004. Certain products sold by Defense Electronics & Services have particular commercial application, including night vision devices. In addition, Defense Electronics & Services, in partnership with California Commercial Spaceport, Inc. in a venture known as Spaceport Systems International, provides full service payload processing and launch capability for small to medium satellite systems in low polar earth orbits.

Funded order backlog for Defense Electronics & Services was $3.88 billion in 2006 compared with $3.48 billion in 2005 and $3.46 billion in 2004.

The level of activity in Defense Electronics & Services is affected by overall defense budgets, the portion of those budgets devoted to products and services of the type provided by Defense Electronics & Services, the Company's ability to win new contract awards, demand and budget availability for such products and services in areas other than defense, the Company's ability to obtain appropriate export licenses for international sales and business, and other factors. See "— COMPETITION."

Defense Electronics & Services companies have approximately 15,900 employees and are present in 205 facilities in 22 countries.

Motion & Flow Control

The results for the Motion & Flow Control segment have been restated to include the results of the Connectors business, which was incorporated into the segment in the fourth quarter of 2006.

Motion & Flow Control, with sales and revenues of approximately $1.09 billion, $1.03 billion and $1.00 billion for 2006, 2005 and 2004, respectively, comprises a group of units providing products and services for the areas of communications, industrial, transportation, military/aerospace, commercial aircraft, computer, consumer and RV/marine. Motion & Flow Control consists of Connectors, Friction Materials, Marine & Leisure, KONI and Aerospace Controls businesses.

Connectors

Connectors designs and manufactures connectors, interconnects, cable assemblies, multi−function grips, input/output (I/O) card kits and smart card systems. Markets served include the areas of communications, industrial, transporation, military/aerospace, commercial aircraft, computer and consumer uses. Connector products are marketed primarily under the Cannon® brand name.

Friction Materials

Friction Materials designs and manufactures friction pads and backplates for braking applications on vehicles. From three facilities in Italy and two in the United States, Friction Materials services most European "OEM" (Original Equipment Manufacturers) auto makers and also operates a substantial facility for research and testing of new materials. Approximately 50% of Friction Materials' 2006 business is in aftermarket activity.

Marine & Leisure

The Marine & Leisure division is the world's leading producer of pumps and related products for the marine and leisure markets. Products sold worldwide under the brand names Jabsco®, Rule®, Flojet®, and Danforth® also serve the recreational vehicle market. Flojet is also a leading producer of pumps and components for beverage applications. Both Jabsco and Flojet also produce pumps for other specialty industrial fluid dispensing applications.

Marine & Leisure's HydroAir business designs and manufacturers jets, pumps and other components for manufacturers of whirlpool baths and hot tub spas.

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KONI

KONI designs and markets adjustable shock absorbers under the brand name KONI® for high performance vehicles, trucks, buses, railway equipment and specialty applications such as bridges and also markets friction products in North America. Customers are principally in Europe, North America, and Asia.

Aerospace Controls

Aerospace Controls is a worldwide supplier of valves, actuators, pumps and switches for the commercial, military, regional, business and general aviation markets. Products are principally sold to OEMs and the aftermarket in North and South America, Europe and Asia. Aerospace Controls also sells switches and regulators into the oil and gas, fluid power, power generation, and chemical markets.

Conoflow markets pressure regulators and diaphragm seals for industrial applications and natural gas vehicles.

The following table illustrates the percentage of sales and revenues for the listed categories for the periods specified:

	Year Ended December 31,		
	2006	2005	2004
Connectors	**35%**	35%	37%
Friction Materials	**29**	28	27
Marine & Leisure	**21**	21	21
KONI	**8**	9	9
Aerospace Controls	**7**	7	6
	100%	100%	100%

The level of activity for Motion & Flow Control is affected by overall economic conditions in the markets served, the competitive position with respect to price, quality, technical expertise, and customer service, as well as weather conditions and natural disasters. See "— COMPETITION."

Motion & Flow Control has approximately 5,300 employees and 28 facilities located in 10 countries throughout North America, Europe and Asia.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and see Note 24, "Business Segment Information," in the Notes to Consolidated Financial Statements for further details with respect to business segments.

Acquisitions, Divestitures, Restructuring, and Related Matters

We have been involved in an ongoing program of acquiring businesses that provide a rational fit with businesses we presently conduct and divesting businesses that do not enhance that fit.

After completing a strategic review of the former Electronic Components segment in the fourth quarter of 2005, the Company decided to dispose of the Switches businesses. The Company is actively marketing the business for sale and began reporting the Switches businesses as discontinued operations in the third quarter of 2006.

On January 20, 2006, the Company completed the sale of its industrial non−metallic lined pumps and valves business ("Richter") to a private equity investor, for net proceeds of $25 million. The business, which was a component of the Company's Fluid Technology segment, is a leading manufacturer of pumps and valves for selected segments in the chemical, fine chemical, and pharmaceutical industries.

On February 7, 2006, the Company completed the sale of its automotive brake & fuel tubing and components business to Cooper−Standard Automotive, a privately−held company, for net proceeds of approximately $190 million including certain post−closing adjustments.

On March 31, 2006, the Company acquired a privately held company which is a leading provider of semiconductor design services, intellectual property and product, for its Defense Electronics & Services segment. Management believes the technology will help the Company lead the way in providing a new generation of radios for the modern soldier.

On June 14, 2006, the Company announced that it had acquired the F. B. Leopold Company, a manufacturer of clarification and gravity filtration technology, for its Fluid Technology segment.

On October 6, 2006, the Company acquired Sota Corporation, a manufacturer of fuel boost and override pumps and potable water pumps for aerospace applications, for its Motion & Flow Control segment.

During 2005, the Company acquired Ellis K. Phelps and Co.("Phelps"), the largest U.S. distributor of products sold under ITT's Flygt brand, within the Fluid Technology segment, for the wastewater pumping and treatment market.

On January 19, 2004, the Company acquired over 81.4% of the outstanding shares of WEDECO, which manufactures ultraviolet disinfection and ozone oxidation systems, and of Shanghai Hengtong Purified Water Development Co. Ltd. and Shanghai Hengtong Water Treatment Engineering Co. Ltd., a producer of reverse−osmosis, membrane and other water treatment systems for the power, pharmaceutical, chemical and manufacturing markets in China for its Fluid Technology segment. In 2005, the Company purchased additional shares of WEDECO. As a result of subsequent purchases, we now own all of the outstanding shares of WEDECO.

On August 6, 2004, we acquired Allen Osborne Associates, Inc. a manufacturer of high precision GPS systems receivers for our Defense Electronics & Services segment.

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On August 13, 2004, we acquired Eastman Kodak Company's Remote Sensing Systems business, which provides large scale optical and electro−optical high−resolution satellite imaging. The acquisition is included in the Company's Defense Electronics & Services segment.

On December 20, 2004, we acquired Cleghorn Waring & Co. (Pumps) Limited, a supplier of marine and industrial pumps in the United Kingdom for our Motion & Flow Control segment.

On December 21, 2004, we disposed of our equity interest in Mesh Networks, Inc. to Motorola, Inc.

See Note 4, "Restructuring and Asset Impairment Charges," in the Notes to Consolidated Financial Statements regarding restructuring matters. See also "Management's Discussion and Analysis of Financial Condition and Results of Operations — Restructuring and Asset Impairment Charges."

See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Risks and Uncertainties — Status of Automotive Discontinued Operations," Note 3, "Acquisitions," and Note 5, "Discontinued Operations," in the Notes to Consolidated Financial Statements for information regarding the resolution of certain disputes relating to the sales of automotive businesses during 1998 and further information regarding discontinued operations.

Geographic Markets

In 2006, approximately 54% of the sales and revenues of Fluid Technology was derived from the Americas, approximately 33% was derived from Europe, and the Asia/Pacific/other region accounted for approximately 13%. The geographic sales mix differs among products and among divisions of Fluid Technology. Our management anticipates growth opportunities in Eastern Europe, Central Asia, Africa/ Middle East, Latin America, and the Asia/Pacific region. In China, Fluid Technology has manufacturing and distribution facilities to produce and sell both submersible pumps for the sewage handling and mining markets and vertical turbine pumps including a foundry operation. The Company also has joint venture sales and manufacturing and other operations in Eastern Europe, Latin America, Africa/Middle East, and other locations in the Asia/Pacific region.

The geographic sales base of Defense Electronics & Services is predominantly the United States, which accounted for approximately 93% of 2006 sales and revenues. Management of Defense Electronics & Services has been in the process of increasing its international defense business and anticipates growth opportunities in the Asia/Pacific region, Europe, and the Middle East.

The geographic sales base of Motion & Flow Control is predominantly in the Americas and Europe. In 2006, approximately 38% of sales and revenues of Motion & Flow Control were to customers in the Americas, approximately 53% of sales were to customers in Europe and 9% were in Asia/Pacific/other.

See Note 24, "Business Segment Information," in the Notes to Consolidated Financial Statements for further geographical information concerning sales and revenues and long−lived assets.

Competition

Substantially all of our operations are in highly competitive businesses. The nature of the competition varies across all business segments. A number of large companies engaged in the manufacture and sale of similar lines of products and the provision of similar services are included in the competition, as are many small enterprises with only a few products or services. Technological innovation, price, quality, reliability, and service are primary factors in the markets served by the various segments of our businesses. The Company's many products and services go to market collectively linked by the ITT brand, the engineered blocks symbol, and the tagline "Engineered for life." The brand has been enhanced and strengthened over the years through a coordinated effort that includes advertising, public relations activities, trade exhibits, and point of sale material.

The Fluid Technology segment is affected by strong competition, changing economic conditions, periodic industry overcapacity that leads to intense pricing pressures, and public bidding in some markets. Management of Fluid Technology responds to competitive pressures by utilizing strong distribution networks, strong brand names, broad product lines focused on market niches, a global customer base, a continuous stream of new products developed from a strong technology base, a focus on quality and customer service, and through continuous cost improvement programs and life cycle cost initiatives.

In Defense Electronics & Services, government defense budgets, particularly in the United States, have increased in recent years following periods of significant declines. Business consolidations continue to change the competitive environment. We have adjusted to these changes by focusing on the defense electronics and services markets, by making process improvements, and through capacity rationalization. In most of the markets served by Defense Electronics & Services, competition is based primarily upon price, quality, technological expertise, cycle time, and service.

In Motion & Flow Control, competition is a significant factor which has resulted in increased pressure to reduce prices and, therefore, costs. Product capability, quality, engineering support, and experience are also important competitive factors. Management of Motion & Flow Control is focused on differentiated new product development and maintenance of strong customer relationships, with emphasis on continuous improvement, striving to maintain our competitive advantage.